

Commitment 10: Leading by Example

Reforming Elected Official Pensions and Reducing Mayoral and Council Expenses

FY 2012 Changes

Reform 10.1 Close the Defined Benefit Plan for Politicians and Establish a 401(k) Plan

Elected officials currently receive the richest retirement multiplier of any city employee classification.

While we have previously proposed overhauling the current pension and contribution subsidy provided to elected officials, we propose the following amendment to the Municipal Code be made as part of this plan:



§24.1708 Elected Officer Retirement Plan Effective December 1, 2010

Any Elected Officer who takes office after December 1, 2010 shall not be eligible to enroll in the retirement system provided for in Sections 24.1701 through 24.1707.

Any Elected Officer who takes office after December 1, 2010 shall only receive a retirement allowance in the form of an employer contribution to match up to 7% of the annual base salary of that Elected Officer. For any year when the City of San Diego makes payments on behalf of Elected Officers into the federal Social Security system, the match shall be capped at no more than 3% of the annual base salary of the Elected Officer.

Reform 10.2 Eliminate Taxpayer Subsidy of Politicians' Pensions

While the "offset" for elected officials has been eliminated, this reform falls short of requiring city politicians to pay an equal share toward the cost of their pension benefits.

As recently as 2002, the Municipal Code section §24.1704 has been clarified to "cap" the pension contributions of elected officials. This cap causes the contribution determined by the retirement system (SDCERS) to be calculated at rates lower for elected officials than for other city employees – generating an additional subsidy.

The City Council should immediately implement the following reform:

§24.1704 Contribution Rate

The City Auditor and Comptroller will ~~shall~~ withhold from the wages or salary of a Elected Officer who becomes a Member of this System an amount necessary to ensure compliance with the substantially equal requirement of City Charter Section 143 8% of his or her Base Compensation, which will be deposited in the Retirement Fund and credited to the individual Member's account. No Elected Officer Member shall be eligible to purchase service credits. The employee contribution rate will also be 8% of Base Compensation for any purchase of prior service as an Elected Officer Member.

Any Elected Officer in office as of the passage of this ordinance shall provide the City Attorney a waiver of the right to receive the 8% contribution cap previously established in the Municipal Code.

For any Elected Officer who fails to provide such a waiver by November 1, 2010, the City Comptroller shall reduce that Official's Base Compensation by an amount equal to the difference between one-half of the annually determined Normal Cost of that Official's retirement and the amount determined by the contribution rate in effect prior to the amendment of this section.

City Council Pension Costs (Expressed as % of Payroll)		
Base Pay: FY 2011 Budget	\$75,096	
Employer Rate	30.53%	\$22,927
Member Contribution Rate	9.06%	\$6,804
Total Normal Cost Rate	39.59%	\$29,731
City Offset (Reflects Recent Elimination)	0.00%	\$0
Net Normal Cost (City)	30.53%	\$22,927
Net Normal Cost (Councilmember)	9.06%	\$6,804
FY 2011 UAL Rate	39.15%	\$29,400
FY 2011 GRAND TOTAL		\$59,131
Total FY 2011 Pension Cost (City)	69.68%	\$52,327
Total FY 2011 Pension Cost (Councilmember)	9.06%	\$6,804

Sources: City of San Diego FY 2011 Budget and SDCERS June 30, 2009 Actuarial Valuation

Reform 10.3 Cut Mayoral and City Council Budgets by 10%

The City of San Diego currently funds 126 budgeted positions to cover all operations of the City Council and Mayor. These positions include elected officials, policy advisors, community representatives and administrative staff. These positions are divided across several departments including individual Council Districts, Community and Legislative Services, the Office of the Independent Budget Analyst (IBA), and Council Administration.

While the FY 2011 Proposed Budget required a corrective action to City Council office budgets, the FY 2011 Adopted Budget still understates Council budgeted expenditures by adding "revenue" to Council budgets, entitled "Adjustment to Approved Levels." This analysis accounts for these adjustments, showing budgeted expenditures of \$16.2 million to fund these departments.^{1, 2, 3}

Comparison of the City of San Diego to other major U.S. cities shows that several appropriate significantly less to Council and Mayoral operations than the City of San Diego. Consequently, we believe the City can save at least \$1.38 million (8.5 %) of this funding through careful examination of current budgets and operational efficiencies. Given the severity of current budgetary circumstances, however we recommend a 10% savings target spread across these departments.

Department	FY 2011 Budget	Positions
City Council Districts	\$8,508,564	80.50
City Council Administration	\$1,925,987	12.88
Independent Budget Analyst	\$1,618,787	10.00
Adjustment to Approved Levels	\$634,472	
Total	\$12,687,810	103.38

When including the budget adjustment for fringe, City Council related expenditures are budgeted to increase by \$1.85 million (17.08%) over FY 2010 budget levels.

The Mayoral budget is comprised of the Office of the Mayor and the Community and Legislative Services Department.

¹ IBA Report 10-37

² IBA Report 10-43

³ Our review finds \$634,472 in Council budget revenue adjustments explicitly called-out in the FY 2011 Adopted Budget.

A ROADMAP TO Recovery

Reforming San Diego City Government

Department	FY 2011 Budget	Positions
Office of the Mayor	\$94,074	1.00
Community and Legislative Services	\$3,408,650	21.67
Total	\$3,502,724	22.67

The FY 2011 budget for Community and Legislative Services represents an increase of \$241,220 (7.80%) over FY 2010 budget levels.

City Council Districts/Community and Legislative Services

During the initial stages of the implementation of the City of San Diego's Mayor-Council form of government, City leaders were careful to maintain the balance of power between the City's redefined executive and legislative branches by creating the Office of the Independent Budget Analyst and securing comparatively equal funding for Mayor and Council supportive staff. By doing so, they solidified the system of checks and balances established by the Mayor-Council governance form. For this reason, we find that in the absence of strong reasoning to the contrary, all cuts to Mayoral or Council supportive staff should be made in equal proportions. Consequently, we recommend that the budgets of City Council Districts and Community and Legislative Services should each be cut by at least 8.6%.

City Council Administration

The City Council currently maintains six Committees for the purpose of evaluating specific issues within the City: Rules Committee, Natural Resources and Culture Committee, Public Safety and Neighborhood Services Committee, Land Use and Housing Committee, Budget and Finance Committee, and Audit Committee.

Formation and operation of Committees are governed by Article 2, Division 1, Rule 6 of the City's Administrative code. Rule 6.6 outlines the use of committee consultants and legislative analysts by a Committee and its members. Although committee consultants and legislative analysts are distinct and separate positions, their assignment of responsibilities under Rule 6.6 involves similar tasks.

Committee consultants are provided by the Council Administration Division and are tasked with the administrative duties associated with the operations of a specific Committee. In addition to administrative duties, committee consultants "shall, when directed by the committee chair, prepare an objective informational analysis addressing both the policy and fiscal considerations of any matter that is reviewed by the committee." Legislative analysts are provided by the Office of the Independent Budget Analyst and "may be assigned to provide policy analysis and reports on legislation initiated by the Council, provide policy related research and analysis on legislation initiated by the Mayor and independent departments, and conduct any special studies as requested by a majority of the Council."

As both committee consultants and legislative analysts have been tasked with the responsibility of providing policy analysis for the Council, the operations of Council Committees could be made more efficient by consolidating these responsibilities into one position. If all policy analysis responsibilities were assigned to legislative analysts, committee consultants would have a greater capacity to address administrative duties. Under the current provisions of Rule 6.6, each Committee must be assigned a committee consultant; however should the capacity of committee consultants to address administrative duties be increased; a single committee consultant could serve multiple Committees with a limited impact to service quality. Requiring each committee consultant to serve two Committees as opposed to one could allow the City to reduce its staffing needs in this area by 50%. The Council Administration Division's current budget for committee consultants is \$458,355; therefore, a 50% reduction in staffing could result in approximate savings of \$229,178.

Office of the Independent Budget Analyst

Reassignment of committee consultant duties to IBA staff will likely place an increased burden on this office. Recognizing this, we recommend that the IBA budget be reduced by a significantly smaller proportion (4.7%) than other Mayoral and Council supportive departments. This smaller reduction is offset by a comparatively larger reduction (11.9%) to the Council Administration budget.

Proposed 10% Cut

However, given the severe budgetary issues currently faced by the City, we are recommending an additional \$234,758 in budget cuts to obtain a full 10% budget reduction, but in the same proportion to the recommended cuts at the 8.55% level.

Department	FY 2011 Budget	Reduction (Minimum Level)		Proportionate Reduction (10% Level)
City Council Districts	\$8,508,564	\$731,737	8.60%	\$855,830
Adjustment to Approved Levels	\$634,472	\$54,565	8.60%	\$63,818
City Council Administration	\$1,925,987	\$229,178	11.90%	\$268,043
Independent Budget Analyst	\$1,618,787	\$75,672	4.67%	\$88,505
Office of the Mayor	\$94,074	\$0	0.00%	\$0
Community and Legislative Services	\$3,408,650	\$293,144	8.60%	\$342,857
TOTAL	\$16,190,534	\$1,384,296	8.55%	\$1,619,053

**Assumes a net reduction of 18-20 staff

Long-Term Changes

Reform 10.4 Create 9th City Council District in "Budget Neutral" Manner

In June 2010, voters overwhelmingly approved the Strong Mayor-Strong Council form of government and created a 9th City Council seat. Councilmember DeMaio has proposed that the cost of the 9th City Council district office be "budget neutral" – with commensurate reductions in other Council budgets to accommodate for the cost of an added Council office. This change would occur in the FY 13 budget.

"Taxpayers deserve a **genuine commitment** from their elected leaders to fix the city's financial problems once and for all.
Together we can build a city government
we can be **proud** of again!"

Carl DeMaio



For updates on Councilmember Carl DeMaio's efforts to reform city government, visit www.sandiego.gov/cd5